

**MORRIS KENNEDY
ATTORNEY AT LAW
2332 OLD HICKORY LANE
LEXINGTON KY 40515**

**(859) 245-1546
(859) 245-4312 (fax)**

April 6, 2006

RECEIVED

APR 11 2006

PUBLIC SERVICE
COMMISSION

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort KY 40602-0615

Case No. 2006-00172

Re: In the Matter of Interstate Natural Gas Company's Farm Tap Rate Increase Request.

Dear Ms. O'Donnell:

Enclosed please find an original and ten (10) copies of Interstate Natural Gas Company's ("Interstate") farm tap rate increase request. This request affects customers served by Interstate pursuant to KRS 278.485.

Please include on the Commission's official service list for this proceeding, as representatives of Interstate, Mr. Michael Burke, Interstate Natural Gas Company, 347 Thompson Road, Pikeville, Kentucky 41502-3385, together with the undersigned.

Should you require anything further in this regard, please do not hesitate to contact me.

Sincerely,



Morris Kennedy

INTERSTATE NATURAL GAS COMPANY
347 THOMPSON ROAD
P. O. BOX 3385
PIKEVILLE, KY 41502-3385
(606) 437-6147

4/6/2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

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PUBLIC SERVICE
COMMISSION

Re: Case No. ~~2004-00356~~

Case No. 2006-00177

Rate Increase Request

Pike, Floyd, Knott, Martin, Lawrence, Leslie, Letcher, Lee,
Morgan, Magoffin, Johnson and other counties in KY

Dear Ms. O'Donnell:

Due to the increase in the cost of natural gas, our company must increase our farm tap gas rates. We currently have 139 customers on various gathering lines throughout eastern Kentucky that consume an average of 7.4 Mcf per month per customer (89 Mcf/year).

We have listed the different components of the rate below. Please note that there is no profit built into this rate.

The calculated gas price is \$14.44/Mcf. Interstate assumes usage of 7.4 Mcf/mo/customer (89 Mcf/yr) based on past usage over a 12 month period.

Gas Price Calculation

<u>Description</u>	<u>Amount</u>
12 month NYMEX Strip (as of 2/17/2006)	\$8.39/Dth
Appalachian Differential (2 Yr Average)	<u>\$0.33/Dth</u>
	\$ 8.72/Dth
BTU conversion based on 1252 Btu/cf (See sch 6)	<u>x 1.252</u>
	\$10.92Mcf
Well Operator (See schedule 1)	\$2.04/Mcf
Administrative Personnel (See sch 2)	\$0.52/Mcf
Methanol, Paint & Supplies (See sch 3)	\$0.62/Mcf
Mileage (See sch 4)	\$0.26/Mcf
Postage & Office Supplies (See sch 5)	<u>\$0.08/Mcf</u>
	<u>\$3.52/Mcf</u>
TOTAL	\$14.44/Mcf

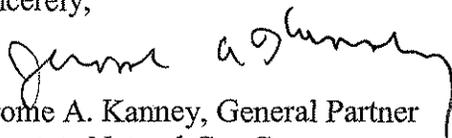
Interstate Natural Gas Company would like to amend the rates and charges section of the original tariff filed by Interstate Natural Gas Company dated September 2, 2004 and approved by the Public Service Commission on June 20, 2005 to read as follows:

Rates: Monthly

Minimum Bill (1 Mcf)	\$14.44
All additional Mcf	\$14.44

The notice to customers required by 807 KAR 5.026.9(d) was mailed on this same day. The person to contact concerning the information provided above is Michael Burke and you may contact him at (606) 437-6147.

Sincerely,



Jerome A. Kanney, General Partner
Interstate Natural Gas Company

**SCHEDULE 1
WELL OPERATOR COST
INTERSTATE NATURAL GAS COMPANY**

Base Pay	11.75
Social Security/Medicare	0.90
FUTA/SUTA	0.42
Workers Compensation	<u>0.41</u>
	13.48

ASSUME:

Meter reading - 15 minutes/customer/month x 12	3 hrs/year/customer
Call-outs, maintenance, etc.	6 hrs/year/customer
Overtime (3 hours @ 150%)	<u>4.5 hrs overtime</u>
Total hours with overtime	13.5 hrs/year/customer

LABOR COST PER MCF CALCULATION

13.5hrs x \$13.48 = \$181.98

\$181.98/89mcf/customer/year = \$2.04/mcf

\$2.04 per mcf

**SCHEDULE 2
ADMINISTRATIVE PERSONNEL COST
INTERSTATE NATURAL GAS COMPANY**

Base Pay	10.25
Social Security/Medicare	0.78
FUTA/SUTA	0.37
Workers Compensation	<u>0.26</u>
	11.66

ASSUME:

Preparing, Reviewing, & Inputting Invoices	8 hrs/month
Processing Cash Receipts & Depositing in Bank	8 hrs/month
Collections and Customer Questions	4 hrs/month
 Total hours	 20 hrs/month

ADMINISTRATIVE PERSONNEL COST PER MCF CALCULATION

20hrs x \$11.66 = \$233.20

\$233.20 x 12 months / 5,332 mcf (prior 12 months use) **\$0.52** per mcf

SCHEDULE 3
METHANOL, PAINT, METER REPLACEMENT, SUPPLIES, ETC.
INTERSTATE NATURAL GAS COMPANY

New Meter and/or regulators (including odorant bottle, lock valve,
saddle, fittings, etc.) every ten years $\$326.00/10 =$
Paint, methanol, odorant, supplies, etc.

\$32.60 per year

22.72 per year

\$55.32 per year

$\$55.32/89\text{mcf} =$

\$0.62 Mcf/customer/year

**SCHEDULE 4
MILEAGE FOR OPERATOR
INTERSTATE NATURAL GAS COMPANY**

Estimate 3 days meter reading per month at 165 miles per day
and 25 miles per year per customer for call outs.

Meter reading = 165 miles x 3 days x 12 months

Call Outs = 25 miles x 164 customers =

5,940 miles per year

4,100 miles per year

10,040 miles per year

10,040 miles x \$0.375/mile(IRS allowable) = \$3,765

\$3,765 yr / 164 customers = \$22.96 / 89 mcf =

\$0.26 Mcf

**SCHEDULE 5
POSTAGE AND OFFICE SUPPLIES
INTERSTATE NATURAL GAS COMPANY**

Assume \$0.37 per customer per month plus \$0.20 Other office supplies for a total of \$0.57 per customer per month or \$6.84 per customer per year.

\$6.84 per customer / 89 mcf usage per year =

\$0.08 Mcf

INTERSTATE NATURAL GAS COMPANY

134 MIMS BRANCH
PIKEVILLE, KY 41501
(606) 432-0526
Toll Free 1-800-469-0083

March 17, 2006

NOTICE OF PROPOSED RATE CHANGE

Farm Tap Customers of Interstate Natural Gas Company

Interstate Natural Gas Company has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by Interstate Natural Gas Company. The Public Service Commission may order rates to be charged that differ from the rates in this notice.

Any corporation, association, body politic, or person may file written comments or a written request for intervention within thirty (30) days of the date of this notice with the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602.

Copies of the request for an increase in rates may be obtained by contacting the gas company at 134 Mims Branch, Pikeville, KY 41501. A copy of the request in rates is available for public inspection at this address.

Present Rate \$5.50/Mcf	Proposed Rate \$14.44/Mcf	Estimated Monthly Increase Per Customer \$66.16
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NORRIS KENNEDY
ATTORNEY AT LAW
2332 OLD HICKORY LANE
LEXINGTON KY 40515



BETH O'DONNELL
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
211 SOMER BOULEVARD
P. O. BOX 615
FRANKFORT KY 40602-0615

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